REPORT OF ASSOCIATION FINANCIAL EXAMINATION AS OF: DECEMBER 31, 2005

Great-West Life and Annuity Insurance Company

8515 East Orchard Road
Greenwood Village CO 80111

Conducted by:

DIVISION OF INSURANCE
STATE OF COLORADO

FIN 07-12

CERTIFICATE OF COPY

I, **Marcy Morrison**, Commissioner of Insurance of the State of Colorado, do hereby certify that the attached is a true and correct copy of the Association Financial Examination Report as of December 31, 2005 for **Great-West Life & Annuity Insurance Company** now on file as a record of this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal of office at the City and County of Denver on this 28th day of June 2007.

Marcy Morrison

Marcy Morrison
Commissioner of Insurance

REPORT OF ASSOCIATION FINANCIAL EXAMINATION

OF

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

8515 East Orchard Road
Greenwood Village, Colorado 80111

AS OF

DECEMBER 31, 2005

TABLE OF CONTENTS

Greenwood Village, Colorado
March 31, 2007

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition Committee (E), NAIC
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
1300 East Main St.
Richmond, Virginia 23219

Honorable Kent Michie, Commissioner
Secretary, Western Zone, NAIC
Utah Department of Insurance
State Office Building, Room 3110
Salt Lake City, Utah 84114

Marcy Morrison
Commissioner of Insurance
State of Colorado
1560 Broadway, Suite 850
Denver, Colorado 80202

Commissioners:

Pursuant to your instructions and in compliance with Section 10-1-201, et seq., C.R.S., an association examination has been made of the financial condition and affairs of:

Great-West Life & Annuity Insurance Company
8515 East Orchard Road
Greenwood Village, Colorado 80111

and the report thereon is respectfully submitted.

Great-West Life & Annuity Insurance Company, hereinafter referred to as the "Company," was last examined as of December 31, 2000, under the Association Plan of the National Association of Insurance Commissioners "NAIC". That examination was conducted by the Colorado Division of Insurance hereinafter referred to as the "DOI".

This Association financial examination was conducted by the DOI. No other states participated on this examination.

All recommendations contained in the prior examination report have been adequately addressed by the Company.

SCOPE OF EXAMINATION

This examination encompasses the period from January 1, 2001, through December 31, 2005. During the course of this examination assets were verified and valued and all known liabilities were established as of December 31, 2005. Accounting and other pertinent records were reviewed to the extent deemed appropriate. The work performed was in accordance with statutory requirements and followed procedures prescribed in the Colorado Examiners Handbook and the NAIC Examiners Handbook. The extent of review on any given account or activity was based on the results of an examination planning process that included an evaluation of Company's internal controls, as well as other factors, which included an analytical review of financial data, the Company's financial performance during the examination period, prior examination findings and materiality. Consideration was also given to the use of audit work performed by the Company's independent accounting firm and where appropriate, has been utilized herein. All phases of the examination were conducted to determine compliance with the insurance laws and regulations of the State of Colorado. Specific details pertaining to the various phases of the examination are set forth under the appropriate caption in subsequent sections of this report.

The determination to reflect financial adjustments in the financial statements was dependent upon the materiality of a particular adjustment when compared to surplus and/or operating results and when combined in the aggregate, with all other adjustments, the materiality of the total adjustments when compared to surplus and/or operating results. Consideration was also given to compliance with statutory requirements.

This examination does not address market conduct issues relating to policy forms, rates, policyholder treatment and claims settlement practices. These issues are addressed in separate market conduct examinations periodically performed by the DOI.

This examination was conducted concurrently with the financial condition examination of the Company's subsidiary, Great-West Healthcare of Colorado, Inc.

HISTORY AND CAPITAL

History

The Company was incorporated as a burial insurance company in the State of Kansas on March 28, 1907, under the name "The National Interment Association" and commenced business on April 24, 1907. The Company's name was changed since incorporation as follows:

February 16, 1910 to "The National Industrial Insurance Company"
September 12, 1956 to "Liberty Life and Casualty Company, Inc."
September 10, 1962 to "Liberty Life & Casualty Company of Kansas"
February 28, 1963 to "Ranger National Life Insurance Company"
April 24, 1980 to "Insuramerica Corporation"
February 16, 1982 to "Great-West Life & Annuity Insurance Company"

The Company changed its status from a burial association to a stock life insurance company by amending its articles of incorporation on May 20, 1955. On May 29, 1974, restated articles of incorporation were approved for filing with the State of Kansas in compliance with that state's statute (K.S.A. 40-307).

The Company redomesticated from the State of Kansas to the State of Colorado effective September 25, 1990.

Per the articles of redomestication, the Company is organized to engage in all forms of insurance and reinsurance business, to provide all types of insurance and underwriting services, to engage in all other activities incidental thereto or connected therewith, as permitted or authorized by law, and to transact all lawful business for which corporations may be incorporated pursuant to the Colorado Corporation Code.

Capital

The Company's authorized capital stock at the time of redomestication to Colorado in 1990 consisted of 5,000,000 shares of common stock at $1.00 par value per share. In September of 1990, the authorized common stock was increased to 50,000,000 at $1.00 par value per share and preferred stock in the amount of 50,000,000 at $1.00 par values was created.

At December 31, 2005, the Company had 7,032,000 shares of common stock issued and outstanding. Each shareholder of common stock is entitled to one vote per share held, whether voted in person or by proxy or pursuant to a stockholder's consent. No preferred shares (series) were issued or outstanding as of December 31, 2005.

Changes in shares issued, capital paid up and gross paid-in and contributed surplus since 2000 follow:

Outstanding Capital and Paid in and Contributed Surplus

Year	Description	Shares issued	Par value	Capital	Paid-in and contributed surplus
12/31/00	Common	7,032,000	$ 1.00	$ 7,032,000	$415,426,246
12/31/01	Contingent Stock Options				(4,902,825)
12/31/02	Contingent Stock Options				6,907,738
12/31/03	Contingent Stock Options				2,656,569
12/31/04	Contingent Stock Options				3,570,054
12/31/05	Contingent Stock Options				2,766,147
	Total as of 12/31/2005	7,032,000		$ 7,032,000	$426,423,929

The Company participates in the executive stock option plan "plan" of its parent, Great-West Lifeco, Inc., and recognizes the income tax reduction of the plan within contributed surplus. Note: Per SSAP 13, paragraph 13, the tax benefit of stock option expense is added to contributed surplus.

Dividends to Shareholders

The articles of redomestication allow for the payment of dividends in cash or property.

The schedule below summarizes all dividends declared, paid and approved by the board of directors during the period under examination.

Class of Stock	Date Declared	Date Payable	Form	Amount	
Common	January 30, 2001	March 31, 2001	Cash	$ 47,121,713	
Common	April 24, 2001	June 30, 2001	Cash	47,365,302	
Common	June 23, 2001	September 30, 2001	Cash	46,649,514	
Common	October 31, 2001	December 31, 2001	Cash	46,649,514	
	Total 2001			$ 187,786,043	
Common	January 29, 2002	March 28, 2002	Cash	$ 45,406,313	
Common	April 23, 2002	June 28, 2002	Cash	44,822,109	
Common	July 29, 2002	September 30, 2002	Cash	48,083,128	
Common	November 26, 2002	December 31, 2002	Cash	32,221,819	
	Total 2002			$ 170,533,369	
Common	March 17, 2003	March 31, 2003	Cash	$ 45,687,256	
Common	September 2, 2003	September 30, 2003	Cash	8,963,690	
Common	December 2, 2003	December 31, 2003	Cash	21,060,137	
	Total 2003			$ 75,711,083	
Common	June 2, 2004	June 30, 2004	Cash	$ 47,887,217	
Common	September 2, 2004	September 30, 2004	Cash	52,184,472	*
Common	December 2, 2004	December 31, 2004	Cash	63,157,908	*
	Total 2004			$ 163,229,597	

Class of Stock	Date Declared	Date Payable	Form	Amount
Common	February 15, 2005	March 31, 2005	Cash	$ 96,035,321
Common	May 30, 2005	June 30, 2005	Cash	64,531,961
Common	August 2, 2005	December 30, 2005	Cash	60,790,937
	Total 2005			$ 221,358,219
	TOTAL			$ 818,618,311

* These dividends qualify as extraordinary in accordance with Section 10-3-805, C.R.S.

All dividends were reviewed to determine if they qualify as extraordinary distributions pursuant to Section 10-3-805(3), C.R.S. Based on this review, those noted above as extraordinary were filed as required and payment was approved by the DOI.

The Company paid all dividends out of surplus during the examination period, as required by Section 10-3-805(2)(d), C.R.S., and properly notified the DOI before the payment of such dividends as required by Section 10-3-805(4.5), C.R.S., and Colorado Insurance Regulation 3-4-1(XVIII).

Subordinated Debenture

Effective November 14, 2004 the Company repaid a subordinated debenture in the amount of $175,000,000 held by GWL&A Financial, Inc. and which was issued in 1999. The DOI approved the repayment of the subordinated debenture on October 22, 2004.

The Company issued a new subordinated debenture to its parent corporation, GWL&A Financial, Inc. on November 15, 2004. The debenture was issued for $195,000,000 with a stated interest rate of 6.675% and matures on November 14, 2034. The proceeds were used to fund the repayment of the subordinated debenture issued in 1999 and referenced above. The subordinated debenture stipulates that repayment cannot commence until prior written approval is obtained from the Commissioner of Insurance. Repayment cannot be made unless, after the repayment, surplus exceeds the greater of $1,500,000 or 2.5 times the authorized control level of the most recent risk based capital calculation. The DOI approved this transaction on October 22, 2004.

During 2005, the Company requested and gained approval to make the interest payments due under the subordinated debenture on May 14 and November 14. The interest paid during 2005 was $13,016,250 and was calculated in accordance with the provisions of the subordinated debenture.

AFFILIATED COMPANIES

Organizational Chart

An abbreviated organizational chart depicting the Company's relationship with its parent and affiliates, as of December 31, 2005, is presented below.

Power Corporation of Canada (Canada) - Holding and Management Company
- 100.0% - 2795957 Canada, Inc. (Canada) - Holding Company
  - 100.0% - 171263 Canada, Inc. (Canada) - Holding Company
    - 66.4% - Power Financial Corporation (Canada) - Holding Company
      - 70.6% - Great-West Lifeco, Inc. (Canada) - Holding Company
        - 100.0% - The Great-West Life Assurance Company – Insurance Company (Canada)
        - 100.0% - GWL&A Financial, Inc. (Delaware) - Holding Company
          - **100.0% - Great-West Life & Annuity Insurance Company (Colorado)**
            - 100.0% - Advised Assets Group, Inc. (Colorado) - Investment Adviser
            - 100.0% - Alta Health & Life Insurance Company (Indiana)
            - 100.0% - BenefitsCorp, Inc. (Delaware) - Insurance Agency
              - 100.0% - GWFS Equities, Inc. (Delaware) – Securities Broker/Dealer
              - 100.0% - Benefits Corp of Wyoming, Inc. (Wyoming)
            - 100.0% - Canada Life Insurance Company of America (Michigan)
              - 100.0% - Canada Life of American Financial Services, Inc.
              - 100.0% - Great-West Life & Annuity Insurance Company of South Carolina
            - 100.0% EMJAY, Corp. (Delaware) – Third Party Administrator
              - 100.0% - Emjay Retirement Plan Services, Inc.
            - 100.0% - FASCore, LLC (Colorado) – Third Party Administrator
            - 100.0% - First Great-West Life & Annuity Insurance Company (New York)
            - 100.0% - Great-West Benefit Services, Inc. (Delaware) - Leasing Company
            - 100.0% - Great-West Healthcare Holdings, Inc. (Colorado) - Holding Company
              - 100.0% - Great-West Healthcare, Inc.
              - 100.0% - Great-West Healthcare of Arizona, Inc. – HMO
              - 100.0% - Great-West Healthcare of California, Inc. – HMO
              - 100.0% - Great-West Healthcare of Colorado, Inc. – HMO
              - 100.0% - Great-West Healthcare of Florida, Inc. – HMO
              - 100.0% - Great-West Healthcare of Georgia, Inc. – HMO
              - 100.0% - Great-West Healthcare of Illinois, Inc. – HMO
              - 100.0% - Great-West Healthcare of Indiana, Inc. – HMO
              - 100.0% - Great-West Healthcare of Kansas/Missouri, Inc. (Kansas) – HMO
              - 100.0% - Great-West Healthcare of Massachusetts, Inc. – HMO
              - 100.0% - Great-West Healthcare of New Jersey, Inc. – HMO
              - 100.0% - Great-West Healthcare of North Carolina, Inc. – HMO
              - 100.0% - Great-West Healthcare of Ohio, Inc. – HMO
              - 100.0% - Great-West Healthcare of Oregon, Inc. – HMO
              - 100.0% - Great-West Healthcare of Pennsylvania, Inc. - HMO
              - 100.0% - Great-West Healthcare of Tennessee, Inc. - HMO
              - 100.0% - Great-West Healthcare of Texas, Inc. - HMO
              - 100.0% - Great-West Healthcare of Washington, Inc. - HMO
              - 100.0% - One Orchard Equities, Inc. (Colorado) – Securities Broker/Dealer
            - 100.0% - GW Capital Management, LLC (Colorado) - Investment Adviser
              - 100.0% - Orchard Capital Management, LLC (Colorado) – Investment Adviser
              - 100.0% - Greenwood Investments, Inc. (Colorado) - Securities Underwriter
            - 100.0% - GWL Properties, Inc. (Colorado) – Real Property Corporation
            - 89.6% - Maxim Series Fund, Inc. (Maryland) - Investment Company
            - 100.0% - Mediversal, Inc. (Nevada) – Third Party Administrator
              - 100.0% - Universal Claims Administration -
            - 100.0% - National Plan Coordinators of Delaware, Inc. (Delaware) – Third Party Administrator
              - 100.0% - NPC Administrative Services Corporation (California) – Third Party Administrator

100.0% - NPC Securities, Inc. (California) – Securities Broker/Dealer
100.0% - P.C. Enrollment Services & Insurance Brokerage, Inc. (Massachusetts) – Insurance agency
100.0% - Orchard Trust Company, LLC – Trust Company
50.0% - Westkin Properties Ltd. (California) - Real Property Corporation

Parent, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system controlled by Power Corporation of Canada "PCC", which is a diversified management holding company domiciled in Canada. Shares of PCC are traded on the Toronto Stock Exchange. At December 31, 2005, Paul Desmarais controlled 64.9% of the outstanding voting shares of PCC and is the ultimate controlling person of the insurance holding company system. PCC's investment interests are in financial services, including insurance, mutual funds, financial planning and related investment activities; communications which includes investments in seven daily newspapers in the Montreal and Quebec provinces of Canada and other media and entertainment organizations; and other business or strategic sectors which include energy, water, waste services, specialty minerals as well as cement and building materials. The investment interests are primarily held in Power Financial Corporation "PFC", a Canadian holding company and which PCC controls through its 66.4% ownership interest. The balance of the outstanding shares of PFC are also publicly traded on the Toronto Stock Exchange.

There are two intermediate holding companies between PCC and PFC (2795957 Canada Inc. and 171263 Canada Inc.). These two companies do not conduct significant business operations.

PFC holds a 70.6% ownership in Great-West Lifeco, Inc. "Lifeco" as of December 31, 2005. The balance of the outstanding shares of Lifeco are publicly traded on the Toronto Stock Exchange. Lifeco is a financial services holding company with interests in life and health, investment and retirement savings, reinsurance and specialty insurance businesses, primarily located in Canada and the United States.

There are three intermediate holding companies between Lifeco and the Company. In 1998, GWL&A Financial Inc. was incorporated in the state of Delaware to directly hold the common stock of the Company. The Company has direct ownership (100% of the outstanding common capital stock) of the following subsidiaries:

- Advised Assets Group, Inc. offers investment advice to retirement plan sponsors and their participants.

- Alta Health & Life Insurance Company "Alta" is authorized to transact life and health business in all states except New York. Alta provides comprehensive employee benefit plans to small and medium sized businesses. These products include term life, accidental death and dismemberment, dental, short and long term disability, and health coverage under both managed care and traditional indemnity arrangements.

- BenefitsCorp, Inc. is an insurance agency that offers insurance products and educational services to government, health-care and educational institutions that provide retirement plans. BenefitsCorp owns two subsidiaries GWFS Equities, Inc. and Benefits Corp of Wyoming, Inc. which support its operations.

- Canada Life Insurance Company of America "CLICA" is a Michigan domiciled insurer and authorized to transact life, accident and health, variable contracts and annuities. CLICA has one subsidiary Great-West Life & Annuity Insurance Company of South Carolina. CLICA is authorized in the District of Columbia and all states with the exception of New York and Vermont.

- EMJAY is a Delaware domiciled third party administer focus on the administration of retirement services supporting the Companies wealth building products.

- FASCore LLC “FASCore”, formerly known as Financial Administrative Services Corporation, is organized to provide third-party administration services in support of retirement savings and insurance products, both fixed and variable, offered by public employers and/or nonprofit organizations.

- First Great-West Life & Annuity Insurance Company “FGW” conducts business of the Company in the State of New York. FGW markets life insurance products to individuals and businesses, as well as health and 401(k) products to group clients, and savings products to both public and non-profit employers and individuals.

- Great-West Benefits Services, Inc. leases furniture and equipment to the Company and its affiliates.

- Great-West Healthcare Holdings, Inc. is incorporated in Colorado to function primarily as the holding company for the Company’s health provider organizations and to provide utilization review services. Great-West Healthcare Holdings, Inc. owns 100% of One Orchard Equities, Inc. a securities broker and the following health maintenance organizations:

  Great-West Healthcare, Inc.
  Great-West Healthcare of Arizona, Inc.
  Great-West Healthcare of California, Inc.
  Great-West Healthcare of Colorado, Inc.
  Great-West Healthcare of Florida, Inc.
  Great-West Healthcare of Georgia, Inc.
  Great-West Healthcare of Illinois, Inc.
  Great-West Healthcare of Indiana, Inc.
  Great-West Healthcare of Kansas/Missouri, Inc.
  Great-West Healthcare of Massachusetts, Inc.
  Great-West Healthcare of New Jersey, Inc.
  Great-West Healthcare of North Carolina, Inc.
  Great-West Healthcare of Ohio, Inc.
  Great-West Healthcare of Oregon, Inc.
  Great-West Healthcare of Pennsylvania, Inc.
  Great-West Healthcare of Tennessee, Inc.
  Great-West Healthcare of Texas, Inc.
  Great-West Healthcare of Washington, Inc.

- GW Capital Management, LLC “GW Capital” serves as an investment advisor to Maxim Series Fund, Inc., Orchard Series Fund and Great-West Variable Annuity Account A. GW Capital owns two subsidiaries, Orchard Capital Management, LLC which is an investment advisor to other insurance companies and Greenwood Investments, Inc. which operates an “introducing” broker/dealer for certain mutual fund portfolio trades and facilitates transactions with mutual funds in connection with the Company’s other products.

- GWL Properties, Inc. “GWLP” is a real estate investment trust and provides the Company with asset management services relating to its real estate and mortgage loans portfolios.

- Maxim Series Fund, Inc. (89.6% ownership) is a registered investment company (mutual fund) that is only available to insurance company separate accounts and certain qualified plans.

- Mediversal, Inc. is a Nevada domiciled third party administrator which focuses on providing services in the Las Vegas area. Mediversal, Inc. has a wholly owned claims administration company called Universal Claims Administration.

- National Plan Coordinators of Delaware, Inc. provides record keeping and administrative services for retirement plans. This company has three subsidiaries, NPC Administrative Services Corporation, NPC Securities, Inc. and P.C. Enrollment Services & Insurance Brokerage, Inc which provide supporting services in connection with investment options to retirement plans.

- Orchard Trust Company is a Colorado state-chartered non-depository trust company offering custodial and directed trustee services to the Company and its affiliates.

- Westkin Properties, Ltd. (50% ownership) develops and sells real estate property in the Palm Springs, California area.

Acquisitions, Mergers or Sales

On February 1, 2003 the Greenwood Property Corporation "Greenwood" merged into the Company. Greenwood was a wholly owned subsidiary of the Company that held various real estate properties. The Company was not subject to any other acquisition, merger or sale during the period of examination.

The Company acquired control of the CLICA and Canada Life Insurance Company of New York "CLNY" from the Canada Life Assurance Company "CLA", a Canadian affiliate, effective December 31, 2003. The Company transferred $235,000,000 to CLA in exchange for all of the issued and outstanding shares of CLICA and CLNY. The investment in CLICA and CLNY totaled $206,500,000 and $28,500,000 respectively. At December 31, 2005, FGW merged with and into CLNY. Upon completion of the merger CLNY then changed its name to FGW.

During the examination period the Company acquired subsidiaries that provide supporting administrative services to the Company and its policyholders. The acquisitions of EMJAY Corporation for $3,200,000 and EMJAY Retirement Plan Services, Inc. for $1,500,000 were effective on December 19, 2003. Also, the Company acquired Mediversal, Inc. and its subsidiary Universal Claims Administration on September 26, 2005 for $1,350.000.

Holding Company Filings

The Company is a member of an insurance holding company system and is therefore subject to the registration requirements of Section 10-3-804, C.R.S., and Colorado Insurance Regulation 3-4-1.

The Company has made the annual form B and C filings as required by Section 10-3-804, C.R.S., and Colorado Insurance Regulation 3-4-1. The Form B filings have consistently identified the ultimate controlling person as Paul Desmarais, a Canadian citizen. Mr. Desmarais controlled 64.9% of the outstanding voting shares of Power Corporation of Canada (PCC) as of December 31, 2005. No other person owns or controls 10% or more of the issued and outstanding shares of capital stock of PCC. The stock of PCC is traded on the Toronto Stock Exchange. The filings also contain the required information pertaining to transactions, relationships and agreements with affiliates, including agreements for tax allocation management and solicitation services.

The Company is required to file material transactions agreements in accordance with Section 10-3-805(4), C.R.S. and Colorado Insurance Regulations 3-4-1. During the examination period the Company filed various agreements and amendments to intercompany agreements in accordance with the referenced statutory requirements.

MANAGEMENT AND CONTROL

The business and affairs of the Company are managed by a board of directors, which consists of fifteen members. The board is assigned the power to exercise general supervision over the business affairs of the Company.

Shareholder Meetings

The by-laws provide that the annual meeting of shareholders is to be held at such date and time as the board may designate for the election of directors and the transaction of such other business as may come before the board.

Special meetings of shareholders may be called by the chairman of the board, by the president, by the board of directors or by holders of at least 25% of all shares entitled to vote at meetings. Notice of each meeting, stating the time and place, and in the case of special meetings, the purpose or purposes for the meeting, must be delivered to each shareholder not more than 50 days and not less than 10 days before such meetings. Any action required to be taken by the shareholders may be taken without a meeting if written consent for such action is given by all shareholders entitled to vote on such matters.

A majority of the outstanding shares, represented in person or by proxy, constitutes a quorum for the transaction of business. The action of a majority of the shareholders present at a meeting in which a quorum exists represents the act of the shareholders.

Each share is entitled to one vote on any matter brought before the meeting. Cumulative voting is not allowed in the election of directors.

The Company held five annual shareholder meetings during the period under examination.

Board of Directors

The corporate powers, business and property of the Company are exercised, conducted and administered by the board of directors. The by-laws fix the number of directors at not less than five and no more than twenty-five with the exact number to be fixed by the board of directors from time to time. On June 20, 2005 the board fixed the number of the board at fourteen and further increased the number to fifteen on December 14, 2005.

Directors are elected at the annual meeting of shareholders. Directors may be removed at any time, with or without cause, by a majority vote of the shareholders who may elect a successor. Any vacancy occurring on the board of directors, other than by removal by the shareholders, may be filled by a majority vote of the remaining directors. A director elected to fill a vacancy serves for the unexpired term of his or her predecessor.

The by-laws provide that the board of directors meets after the annual meeting of shareholders for the purpose of organizing the board, electing the officers and conducting such other business as is brought before the meeting. The chairman of the board, the president or the secretary may call special meetings. Any action required to be taken by the board may be taken without a meeting if written consent for such action is given by all members entitled to vote on such matters.

A majority of directors constitutes a quorum for the transaction of business. The action of a majority of the directors present at a meeting in which a quorum exists represents the act of the board of directors.

During the period under review, the board of directors held five annual meetings, forty regular meetings, and there was one instance in which actions were consented to in lieu of a formal meeting.

Directors duly elected and serving at December 31, 2005 together with their state/province of residence and principal business affiliations are presented as follows:

Name & address	Principal business affiliation
James Balog Vero Beach, Florida	Retired
James W. Burns, O.C. Montréal, Québec	Director Emeritus Power Corporation of Canada
Orest T. Dackow Greenwood Village, Colorado	Retired
André Desmarais Montréal, Québec	President and Co-Chief Executive Officer Power Corporation of Canada
Paul Desmarais, Jr. Montréal, Québec	Chairman and Co-Chief Executive Officer Power Corporation of Canada
Robert Gratton Montréal, Québec	Chairman of the Board Great-West Life & Annuity Insurance Company
Kevin P. Kavanagh Winnipeg, Manitoba	Chancellor Emeritus Brandon University
William Mackness London, Ontario	Retired
William T. McCallum Greenwood Village, Colorado	Vice Chairman Great-West Life & Annuity Insurance Company
Raymond L. McFeetors Winnepeg, Manitoba	President and Chief Executive Officer Great-West Life & Annuity Insurance Company
Jerry E.A. Nickerson North Sydney, Nova Scotia	Chairman of the Board H.B. Nickerson & Sons, Limited
David A. Nield Toronto, Ontario	Retired
R. Jeffrey Orr Montreal, Québec	President and Chief Executive Officer Power Financial Corporation
Michel Plessis-Bélair, F.C.A. Montréal, Québec	Vice Chairman and Chief Financial Officer Power Corporation of Canada
Brian E. Walsh Stamford, Connecticut	Managing Partner QVan Capital, LLC

Officers

The Company by-laws provide that the boards of directors annually appoint a chairman of the board, a president and chief executive officer and such other officers at the level of senior vice president and above. The president and chief executive officer may appoint officers below the level of senior vice president. The same person may hold any number of offices. Such offices shall have such authority and perform such duties as normally pertain to the offices or as may from time to time be determined by the board of directors.

The chairman of the board presides at all meetings of the shareholders and the board of directors and has general authority over the business affairs of the Company, subject to control by the board. The president is responsible for the administration of the Company, its agents and its employees, and has general charge of the business affairs, subject to direction by the chairman of the board and the board of directors.

Based on a review of the minutes, the board of directors did appoint all officers as required by the by-laws. The minutes reflect the appointment of the chairman of the board and the chief executive officer, but no other appointments are formally documented in the minutes.

Based on representations made by the Company, the senior officers serving at December 31, 2005 were as follows:

Officer	Title
Robert Gratton	Chairman of the Board
William T. McCallum	Vice Chairman of the Board
Raymond L. McFeetors	President and Chief Executive Officer
Mitchell T. G. Graye	Executive Vice President and Chief Financial Officer
Richard F. Rivers	Executive Vice President, Employee Benefits
Douglas L. Wooden	Executive Vice President, Financial Services
John Gabbert	Senior Vice President, Employee Benefits Systems
Mark Corbett	Senior Vice President, Investments
Wayne T. Hoffman	Senior Vice President, Investments
Duncan Craig Lennox	Senior Vice President, General Counsel and Secretary
Glen R. Derback	Senior Vice President and Controller
James L. McCallen	Senior Vice President and Actuary
G. McDonald	Senior Vice President, Corporate Administration
Charles P. Nelson	Senior Vice President, Financial Services
Steve H. Miller	Senior Vice President, Employee Benefits Sales
Martin Rosenbaum	Senior Vice President, Employee Benefits Operations
Gregory E. Seller	Senior Vice President, Government Markets
Robert K. Shaw	Senior Vice President, Individual Markets
George Webb II	Senior Vice President, Provider Network Operations
Donna A. Goldin	Senior Vice President, Healthcare Operations
Douglas Stefanson	Senior Vice President, Healthcare Underwriting
Christopher Knackstedt	Senior Vice President, Health Plan Networks

Committees

The by-laws provide for the designation of an executive committee, an investment and credit committee, an audit committee, and one or more other committees as deemed necessary by the board. On June 25, 2003 the board of directors established a compensation committee. Each committee must be comprised of at least three board members, with the exact number to be determined by the board.

Executive Committee:

During intervals between meetings of the board of directors, the executive committee may exercise all powers and authority of the board of directors except to declare dividends, amend the by-laws, fill vacancies in the committee or as otherwise limited by applicable law. Two committee members constitute a quorum for the transaction of business. A majority of the members present at a committee meeting carries an action. The executive committee met 36 times during the period of examination.

Members serving on the executive committee at December 31, 2005, were as follows:

Robert Gratton (Chairman)	William Mackness
James Balog	William T. McCallum
James W. Burns	Raymond L. McFeetors
Orest T. Dackow	David A. Nield
André Desmarais	R. Jeffrey Orr
Paul Desmarais, Jr.	Michel Plessis-Bélair
Kevin P. Kavanagh	Brian E. Walsh

Investment and Credit Committee:

The investment and credit committee has the authority to approve investments. Three committee members constitute a quorum for the transaction of business. A majority of the members present at a committee meeting carries an action. The investment and credit committee met 42 times during the period of examination.

Members serving on the investment and credit committee at December 31, 2005, were as follows:

Robert Gratton (Chairman)	William Mackness
James Balog	William T. McCallum
James W. Burns	Raymond L. McFeetors
Orest T. Dackow	David A. Nield
André Desmarais	R. Jeffrey Orr
Paul Desmarais, Jr.	Michel Plessis-Bélair

Audit Committee:

The audit committee oversees the financial reporting process. The audit committee met 25 times during the period of examination.

Members serving on the audit committee at December 31, 2005, were as follows:

Jerry E.A. Nickerson - Chairman	William Mackness
Kevin P. Kavanagh	Brian E. Walsh

Compensation Committee:

The compensation committee oversees the compensation of directors, designated employees and review of the Company's compensation plans, policies and guidelines. The Company did not provide any documentation regarding the meetings of the compensation committee nor could the number of times this committee met during the examination period be established.

Members serving on the compensation committee at December 31, 2005, were as follows:

Robert Gratton (Chairman)	Paul Desmarais, Jr.
James Balog	R. Jeffrey Orr
André Desmarais	Brian E. Walsh

Recommendation No. 1:

It is recommended that the Company maintain the minutes and other related records of the activities of the compensation committee in a consistent form and format as the other committees of the board of directors.

Conflict of Interest

The Company has an established procedure for the disclosure of any material interest or affiliation that might conflict with the respective duties of all directors, officers and responsible employees. The policy provides for the completion of an affidavit annually by all board members and senior officers.

The last examination noted that the Company was not ensuring that all senior officers completed affidavits annually. Review of the affidavits of the board members and senior officers disclosed that the Company has ensured compliance with its policy regarding conflict of interest. None of the affidavits reviewed had any material conflicts.

Service and Management Agreements

Management Agreements:

The Company provides management services to most of its affiliates and subsidiaries through various management agreements. Pursuant to the agreements, the Company is granted the power and authority to perform activities related to the operations of these companies. For the insurance subsidiaries, these functions include marketing, underwriting, collection of premiums, claims settlement, accounting, legal, actuarial, investment, promulgation of rates, reinsurance, public relations, internal audit and all other activities incidental to the operations of an insurance company. However, each subsidiary still retains ownership of the accounts and records, and the insurance subsidiaries retain the authority to set policy and procedure relating to underwriting, the appointment of agents, the settlement of claims and the payment of commissions. The costs incurred by the Company under the management agreements are allocated to the respective companies based on cost allocation formulas and are generally settled no less frequently than quarterly through the intercompany accounts. As evidenced by the written agreements and actual settlement practices, it is the intent of the parties that each legal entity pays for the actual services and facilities used. The agreements generally provide for either a percentage of premiums for administrative costs and commissions due for services provided to the subsidiaries related to the Healthcare Services division, including services to the health maintenance organizations. The costs associated with Financial Services division, which includes individual life and annuity business are generally allocated on an average unit (policy) cost.

Federal Income Tax Allocation:

The Company and its affiliates file a consolidated federal tax return with its parent, GWL&A Financial, Inc. Under this arrangement, the allocation of the tax liability is based on a member's separate tax liability calculation. Any tax savings or additional tax charges resulting from the filing of a consolidated tax return are allocated to the affiliate generating the savings or charges on a stand-alone basis. All amounts are settled through the intercompany accounts.

CORPORATE RECORDS

The Company's articles of redomestication and bylaws and amendments thereto were reviewed. No amendments to these documents were made during the period of examination. However, the Company did amend the articles of redomestication and by-laws subsequent to the examination period. These amendments were effected on April 26, 2006 and changed the title of appointed officers and clarified the appointments thereof.

The Company has a formal investment policy, which is reviewed and updated periodically. The board has delegated the authority to make investment decisions to an investment and credit committee comprised of board members. The investment and credit committee meets regularly to approve investment transactions and related activities. The Company's investment polices and actions comply with the requirements of Section 10-3-234, C.R.S. regarding the approval and record of investments.

Fidelity Bond and Other Insurance

The Company is a named insured on a financial institutions bond that provides $25,000,000 in protection for employee dishonesty with a $1,000,000 deductible. The coverage provided by the bond meets the requirements of Colorado insurance Regulation 3-1-1.

The Company is also the named insured on other policies that provide protection in connection with its business activities. These policies include workers' compensation, professional liability, general liability, commercial property and excess umbrella coverages.

Employees' and Agents' Welfare

The Company has an employee welfare benefit plan for eligible employees, which includes life insurance, accidental death, dismemberment and loss of sight benefits (AD&D), medical, dental, vision and prescription drugs benefits, as well as short-term disability and long-term disability income benefits.

A long-term savings plan is also available to employees. Depending upon the date of hire, the Company matches up to 5% or 8% of the before tax savings. The Company's contributions are 100% vested immediately.

A Company funded pension plan is made available to all eligible employees hired prior to January 1, 1999.

The Company has implemented a nonqualified Supplemental Executive Retirement Plan (SERP) effective January 1, 1993. It supplements other retirement plans for selected executives and also provides pre-retirement death benefits to their beneficiaries. The SERP plan is funded by life insurance contracts that have been purchased on the lives of the participants. These policies and the benefits thereon are owned and payable to the Company.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed to transact business in 49 states, the District of Columbia, Guam, Puerto Rico and the US Virgin Islands. The Company is not licensed in the State of New York.

Certificates of Authority and/or other evidence of permission to do business in the respective states were reviewed and found to be in proper order and effect.

Plan of Operation

The Company offers a full range of life and financial products designed to meet the financial security needs of both groups and individuals and health products designed to meet the needs of employer groups throughout the United States. The Company operates two business divisions, Financial Services and Healthcare, to provide these products.

The Financial Services division offers retirement savings, annuities and insurance products to groups and individuals through two business segments, Individual Markets and Retirement Services.

The Individual Markets segment provides individual life insurance and annuity products to individuals, focusing on middle-income earners through corporate executives. The products are offered through financial institution partners and utilize mail, phone, internet and licensed insurance representatives at the financial institution partner's locations. The Individual Markets segment also provides corporate and bank owned life insurance (COLI/BOLI) products through a consulting firm. Additional products available to eligible prospective corporate and bank customers include executive deferred compensation and benefits funding plans.

The Company no longer sells insurance and annuities in the traditional agent/broker channels, however, the Company continues to service this block of insurance policies and annuities that it previously sold.

The Retirement Services segment provides retirement products to corporate, institutional, government, healthcare and education customers. Products include 401(k) and 457 plans, recording keeping and administrative services and has supporting services for defined contribution plan sponsors and participants. The Retirement Services segment also provides investment information and advice, marketing and educational programs that are offered through the Company subsidiaries that are registered investment advisors.

The Company has two subsidiaries that provide significant services to the Retirement Services segment. FASCore provides record keeping and administration services and BenefitsCorp, Inc., which provides enrollment, communication, and education services in support of the Company's operations.

The Company has established relationships with several mutual fund providers in order to provide various investment alternatives under the existing pension plans and retirement savings plans.

The Company distributes retirement products through financial institutions, including banks and discount brokers, independent brokerages, independent marketing producers and an affiliated agency.

The Healthcare division offers employer-sponsored medical plans and services and group life products provided by the Company and its subsidiaries. The products include a full range of health care plans, dental and vision plans, short-term and long-term disability coverage and life insurance benefits. The medical plan and services designs include health maintenance organizations (HMO), provided by the Company's subsidiary HMOs, preferred provider organizations and point-of-service products. Additional plan designs can include health reimbursement accounts, health savings accounts or flexible spending accounts. Medical service products include hospital, pharmacy and physician services. The plans are offered on a fully insured or self-funding basis with optional specific stop loss and/or aggregate stop loss policies.

The Healthcare division products are marketed to employers through a broker or consultant channel. A dedicated sales and service staff is employed to work with assigned brokers or consultants who represent current and prospective employer groups. The sales and service staff support the broker or consultants in facilitating the Company's plan and network design, enrollment processes, administrative support and training for sales personnel.

The Company pays brokers commissions based either upon a percentage of premiums or upon the number of participants enrolled per employer group. The commissions include incentives for increasing the number of participants per employer group. The commission structure is divided into three segments, the select market, mid-market and national accounts. The select market segment is comprised of employer groups having less than 250 medical employees; the mid-market segment is comprised of employer groups having from 250 through 2,500 medical employees and national accounts segment is comprised of those employer groups having over 2,500 medical employees.

GROWTH OF THE COMPANY

The growth of the Company for selected years is presented as follows:

Year	Admitted assets (including separate accounts)	Liabilities (including separate accounts)	Capital	Surplus
2001	$27,573,657,232	$26,373,285,167	$ 7,032,000	$1,193,340,065
2002	26,156,092,626	24,863,800,448	7,032,000	1,285,260,178
2003	31,168,401,565	29,955,853,240	7,032,000	1,205,516,325
2004	32,157,724,120	30,680,299,404	7,032,000	1,470,392,716
2005	33,616,475,820	32,102,272,393	7,032,000	1,507,171,427

A summary of life insurance written or increased, terminated and in force during the period under examination follows:

Year-end	Written or increased*	Terminations by death	Other terminations	Insurance in force
2001	$24,192,782,000	$256,067,000	$31,261,965,000	$116,420,626,000
2002	16,678,118,000	278,727,000	25,906,337,000	106,913,680,000
2003	76,815,533,000	290,368,000	21,343,285,000	162,095,560,000
2004	12,467,893,000	405,944,000	65,821,994,000	108,335,515,000
2005	7,709,053,000	448,910,000	13,426,446,000	102,169,212,000

* Includes reinsurance assumed.

Amounts reported in the foregoing exhibits for 2001 through 2005 were compiled from filed copies of annual statements. Amounts for 2001 and 2005 were established or verified in connection with a financial examination.

Business In Force by State

The total business in force at December 31, 2005, as well as premium collections, annuity considerations and deposit funds received for each state during 2005 are as follows:

State	Life insurance in force (000's omitted)	Life premiums	Annuity considerations	Accident and health premiums *	Other deposit funds
Alabama	$ 1,319,340	$ 3,069,419	$ 4,024,330	$ 4,707,311	$ 1,019
Alaska	287,630	780,862	21,060,873	8,664,603	645,302
Arizona	1,504,043	6,071,658	34,602,546	17,702,265	190,207
Arkansas	290,030	1,441,506	2,662,710	3,377,669	31,465
California	10,979,847	24,004,896	548,590,397	89,070,691	1,972,171
Colorado	4,650,874	10,692,433	247,289,269	56,294,088	3,629,804
Connecticut	1,283,327	4,135,875	49,788,228	4,141,272	14,664
Delaware	1,423,629	20,412,614	20,754,887	530,339	127
Dist. of Col.	409,379	992,874	26,963,829	1,298,854	126,331
Florida	5,064,366	27,752,357	90,882,870	38,277,848	912,967
Georgia	2,268,436	9,934,360	56,795,425	18,726,876	8,555

State	Life insurance in force (000's omitted)	Life premiums	Annuity considerations	Accident and health premiums *	Other deposit funds
Hawaii	$ 526,733	$ 1,623,251	$ 630,197	$ 672,421	$ 0
Idaho	375,749	998,994	3,473,034	1,811,281	152,265
Illinois	6,127,705	46,517,873	78,301,558	45,528,598	454,954
Indiana	2,180,185	13,729,682	40,809,444	16,910,822	804,111
Iowa	799,975	1,620,280	4,735,026	2,525,644	1,893
Kansas	2,059,385	24,960,898	32,258,225	4,324,805	667,290
Kentucky	1,164,467	2,983,697	5,505,703	4,504,975	7,701
Louisiana	1,183,196	4,392,668	104,651,116	8,858,501	16,170
Maine	268,144	182,393	15,576,006	5,526,775	113,199
Maryland	1,246,896	4,137,703	431,877,388	11,513,032	9,865,544
Massachusetts	1,842,672	6,610,631	76,560,781	10,114,259	396,460
Michigan	4,965,544	23,680,734	46,141,338	11,228,663	834,852
Minnesota	3,134,816	21,046,623	152,979,541	7,521,786	9,276,171
Mississippi	850,887	6,097,254	1,475,969	2,935,284	0
Missouri	1,654,281	4,233,241	70,785,426	20,157,394	2,040,206
Montana	193,207	738,056	1,285,539	2,243,540	0
Nebraska	673,052	3,181,199	20,848,820	2,528,885	105,990
Nevada	585,349	1,621,351	11,982,061	10,917,029	201,255
New Hampshire	398,925	893,687	13,921,144	3,082,399	0
New Jersey	1,774,950	8,578,189	50,027,781	17,214,441	506,664
New Mexico	299,264	864,163	3,071,377	5,001,061	767
New York	3,194,788	9,887,416	2,335,585	11,356,163	0
North Carolina	1,949,228	11,304,425	60,865,074	25,016,357	2,822,418
North Dakota	294,427	927,926	5,402,344	296,239	334,203
Ohio	10,390,347	18,797,142	110,112,748	24,530,744	1,122,404
Oklahoma	689,238	1,782,246	15,437,259	6,681,700	141,915
Oregon	1,468,194	5,089,341	38,255,808	17,129,215	385,525
Pennsylvania	2,479,993	7,394,276	59,734,693	9,655,479	579,176
Rhode Island	541,951	829,482	9,598,662	993,851	0
South Carolina	836,921	2,321,982	5,892,411	7,089,586	27,424
South Dakota	190,299	512,689	717,642	478,260	12,684
Tennessee	1,687,479	4,380,747	70,595,139	7,218,505	491,508
Texas	8,996,107	46,884,869	127,030,564	77,070,685	952,737
Utah	495,068	1,314,325	8,702,343	4,277,559	8,130
Vermont	232,417	461,347	2,720,231	6,550,976	161
Virginia	1,963,516	7,136,077	73,517,936	10,684,299	223,510
Washington	2,491,543	15,640,788	42,980,461	25,707,090	629,795
West Virginia	440,157	1,121,063	13,067,334	5,830,343	90,731
Wisconsin	1,552,000	5,568,070	20,762,946	7,499,891	4,871
Wyoming	141,751	425,289	5,993,331	5,022,360	34,957
Guam	0	23,847	10,171,012	20,711	0
Puerto Rico	6,682	231,563	0	180,810	0
US Virgin Islands	347	28,733	0	38,312	0
Canada	7,609	13,406	28,700,539	22,450	0
Other Alien	332,869	1,404,888	(9,485,556)	117,838	0
Subtotal	$ 102,169,214	$ 431,463,358	$ 2,973,421,344	$691,382,834	$ 40,840,253
Dividends Applied	0	44,706,890	0	0	0
Premiums Waived	0	1,791,948	0	1,491,527	0
Total Direct	$ 102,169,214	$ 477,962,196	$ 2,973,421,344	$692,874,361	$ 40,840,253
Plus Assumed	0	197,488,425	1,287,912	197,914,720	0
Total All Business	$ 102,169,214	$ 675,450,621	$ 2,974,709,256	$890,789,081	$ 40,840,253
Less Ceded	8,902,098	38,133,314	0	233,390,206	0
TOTAL	$ 93,267,116	$ 637,317,307	$ 2,974,709,256	$657,398,875	$ 40,840,253

* The above amounts were obtained from the Company's 2005 annual statement schedule for the allocation of premiums and annuity consideration, with the exception of the accident and health premiums. The examination of the allocation of premiums by state detected an error in the amount of $42,750,193 in the compilation of the accident and health premiums. The error decreased the accident and health premium direct premiums from $691,382,834 to $648,632,641 and was done when the company reduced its premium for an assumed block of accident and health business and a minimum premium health program. The error only occurred in the reporting of the allocation of premiums by state within the 2005 annual statement.

Recommendation No. 2:

It is recommended that the Company ensure that all premiums are appropriately reported within Schedule T for the allocation of premiums and annuity considerations and also re-compute the premium taxes due.

Individual life and health premiums and individual annuity considerations are allocated by state based upon the current mailing address of the policyholder. Group life and health premiums are allocated by the percentage of employees residing in each state for each group. Group annuity considerations are allocated to the state in which the group's headquarters is located.

The results of testing performed on a sample of premium transactions indicate that premiums are allocated in accordance with the Company's methodology described above.

A summary of premium income and considerations incurred for the years under examination, as reported by line of business (including reinsurance assumed and net of reinsurance ceded), is as follows:

Year	Life premiums	Annuity considerations	Accident and health premiums	Other deposit funds
2001	$1,008,323,152	$3,000,266,271	$1,069,556,071	$53,071,417
2002	590,864,877	2,871,126,017	1,087,291,358	43,432,497
2003	540,735,210	2,605,635,700	569,683,199	48,166,932
2004	654,408,333	2,443,571,358	457,845,016	25,799,908
2005	635,740,824	2,974,718,913	633,776,171	40,840,253

Mortality and Loss Experience

The mortality and loss experience on life and accident and health business is presented in the following schedules:

Life Policies

Year	Death benefits incurred	Reserves released	Net benefits (actual)	Tabular cost expected	Ratio of actual to expected mortality
2001	$313,551,835	$53,639,060	$259,912,775	$332,873,697	78.1%
2002	296,672,424	78,792,191	217,880,233	374,258,158	58.2%
2003	359,241,337	55,815,622	303,425,715	341,127,183	88.9%
2004	332,749,138	60,812,598	276,936,540	387,693,676	70.1%
2005	367,769,308	88,675,941	279,093,367	375,139,692	74.4%

A&H Policies

Year	Premiums earned	Losses and loss expenses incurred	Underwriting expense incurred	Loss and loss expense ratio	Underwriting ratio
2001	$1,068,018,745	$972,417,052	$126,173,632	91.0%	102.9%
2002	1,087,714,168	923,870,354	203,530,050	84.9%	103.6%
2003	570,178,558	566,936,883	97,689,198	99.4%	116.6%
2004	263,366,994	190,372,309	59,423,539	72.3%	94.8%
2005	572,065,328	558,190,784	109,152,446	97.6%	116.7%

Amounts reported in the foregoing exhibits for 2002 through 2004 were compiled from filed copies of annual statements. Amounts for 2001 and 2005 were established or verified in connection with a financial examination.

REINSURANCE

A sample of reinsurance contracts entered into during the examination period were reviewed to determine that they resulted in a transfer of risk and that the terms of the agreements complied with Section 10-3-118, C.R.S., and Colorado Insurance Regulation 3-3-2. There were no findings of non-compliance during this review. Based on this sample, the Company's reinsurance contracts result in adequate transfer of risk and comply with the provisions of Section 10-3-118, C.R.S., and Colorado Insurance Regulation 3-3-2.

Ceded

The Company's ceded life reinsurance primarily consists of yearly renewable term (YRT) agreements with various reinsurers and includes YRT pooling arrangements. Most of the YRT reinsurance relates to older business, which is in run-off. Beginning in 2000 the Company began ceding business relating to corporate and bank owned life insurance (COLI/BOLI), term life insurance and disability life business. The Company entered into ceding agreements during the examination period related to the COLI/BOLI business and annuities. The Company reported ceded premium of $37,717,096 and reported reserve credits of $726,032,608 as of December 31, 2005.

The Company cedes the bulk of the group accident and health business on a coinsurance basis. The group accident and health business ceded is primarily excess of loss or aggregate stop loss agreements. The Company reported ceded premium of $233,806,273 and reported reserve credits of $131,719,620 as of December 31, 2005.

Assumed

The Company assumes life reinsurance business on a coinsurance or YRT basis. The Company has a number of assumed agreements that are older agreements. During 2003 the Company entered into a coinsurance agreement with CLA, an affiliate, where the Company coinsures the United States life business, of CLA. The coinsurance agreement was entered into at the same time as the acquisition of CLICA and CLNY see "Acquisitions, Mergers or Sales" section under Affiliated Companies within this report, and the agreement includes both the life and health business of CLA.

The Company reported assumed life premiums at December 31, 2005 of $205,650,893, of which $186,859,366 was assumed from affiliates. The Company also reported an increase in the life reserves of $2,785,551,319, of which $2,754,343,568 was from affiliates, for the assumed life business. The

Company reported reinsurance payables of $22,679,506 at December 31, 2005, of which $16,991,987 was payable to affiliates.

The Company assumes group health business generally on a coinsurance basis. The Company did not enter into any assumed group health arrangements with non-affiliated companies during the examination period. The Company did assume group health on a coinsurance basis from subsidiaries and the heath business from CLA, as referenced above. The Company generally assumes 90% of the group health business written by its HMO subsidiaries.

The Company reported assumed health premiums at December 31, 2005 of $198,758,460, of which $148,392,583 was from affiliates. The Company also reported an increase in the health reserves of $15,521,705, of which $11,489,849 was from affiliated business. The Company reported reinsurance payables of $47,323,846 at December 31, 2005, of which $43,278,709 was payable to affiliates.

STATUTORY AND SPECIAL DEPOSITS

Special Deposits (Not held for the protection of all policyholders):

Location	Type of Security	Par Value	Statement Value	Market Value
California	US Treasury Notes	$15,000,000	$15,355,708	$15,228,519
Florida	US Treasury Notes	700,000	727,763	710,617
Georgia	US Treasury Notes and Vendee CMO	2,238,616	2,275,069	2,322,986
Louisiana	US Treasury Notes	2,000,000	2,175,271	2,115,860
Massachusetts	US Treasury Notes	100,000	96,314	94,793
New Mexico	US Treasury Notes	100,000	103,936	100,961
New York	Vendee CMO	2,208,616	2,223,860	2,272,117
North Carolina	US Treasury Notes	400,000	416,163	411,624
Puerto Rico	US Treasury Notes	595,000	622,478	606,971
US Virgin Is.	US Treasury Bond	500,000	504,413	503,010
Total		$23,842,232	$24,500,975	$24,367,458

All Other Deposits (Held for the protection of all policyholders):

Location	Type of security	Par value	Statement value	Market value
Colorado	US Treasury Bonds	$ 1,600,000	$ 1,633,369	$ 1,646,238

The statutory deposit with the State of Colorado complies with the provisions of Sections 10-3-201, 10-3-206, 10-3-210 and 10-3-211, C.R.S., as well as Colorado Insurance Regulation 3-1-2.

The Company's statutory deposit is held under a custodial arrangement with a bank in Denver, Colorado. The custodial agreement complies with the provisions of Colorado Insurance Regulation 3-1-6. The custodian is a member of the Federal Reserve System and satisfies the definition of a custodian as set forth in Colorado Insurance Regulation 3-1-6(III).

ACCOUNTS AND RECORDS

The Company's accounts and records, policy detail and claim detail are generated and maintained through an integrated electronic data processing system. Various reports regarding the books and records are generated daily, weekly, monthly and quarterly or on an as-needed basis from daily transaction input. The general ledger system is integrated with the various subsystems and generates a general ledger, cash receipts and disbursements information, as well as subsidiary records common to the health insurance industry.

A trial balance was extracted from the general ledger for the year ending December 31, 2005 and traced to the appropriate assets, liabilities, and income and expense exhibits of the annual statement. The Company's trial balances for 2001 through 2004 were also reviewed and the asset and liability amounts traced to the respective annual statements. A review of income, disbursements and postings to the general ledger was conducted for selected periods. Test checks of postings from original documents to the general ledger revealed no material differences.

The Company is audited annually by a firm of independent certified public accountants in accordance with Colorado Insurance Regulation 3-1-4. The work papers of the CPA firm were made available to the examiners for use in the examination. These work papers were utilized for this examination on a limited basis.

The Company filed actuarial opinions for the period under review as required by Colorado Insurance Regulation 3-1-3.

The Company's custodial agreements were reviewed for compliance with Colorado Insurance Regulation 3-1-6. The custodial agreements in place as of December 31, 2005 contained the terms required by the regulation.

The Company maintains an expense allocation module within its general ledger system. Review of the expense allocation module determined that it is a reasonably accurate allocation of expense and classification of expenses in accordance with the standards established by the NAIC Accounting Practices and Procedures Manual SSAP No. 70. SSAP No. 70 requires that the basis of allocation for expense classifications should employ those principles and methods that will best reflect the actual incidence of cost by line of business. The expense allocation module is utilized to allocate expenses to the subsidiaries and affiliates and line of business of the Company and the subsidiaries.

The Company's custodial agreements were reviewed for compliance with Colorado Insurance Regulation 3-1-6. The terms of the custodial agreement in place at December 31, 2005, for the statutory deposit and the Company's invested assets contain sufficient provisions to meet requirements of Section IV(B) of Regulation 3-1-6.

FINANCIAL STATEMENTS

The following pages present a statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2005, as determined by this examination. The basis for the December 31, 2005 financial statement information is the Company's filed annual statement as amended on July 5, 2006. This statement is followed by supporting statements and reconciliations presented in the following order:

Summary of Operations, for the Year Ended December 31, 2005

Capital and Surplus Account, for the Year Ended December 31, 2005

Reconciliation of Capital and Surplus, December 31, 2000 through December 31, 2005

Analysis of Examination Changes, as of December 31, 2005

Comparative Financial Statements, as of December 31, 2000 and December 31, 2005

ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2005

ASSETS

	Assets	Assets not admitted	Net admitted assets
Bonds	$ 11,697,172,805	$ 0	$ 11,697,172,805
Common stocks	401,437,020	0	401,437,020
Mortgage loans on real estate - first liens	560,684,394	0	560,684,394
Real estate – properties occupied by the company	78,974,920	0	78,974,920
Real estate – properties held for the production of income	5,492,410	0	5,492,410
Real estate – properties held for sale	2,745,500	0	2,745,500
Cash, cash equivalents and short-term investments	828,110,681	0	828,110,681
Contract loans	3,702,099,960	492,699	3,701,607,261
Other invested assets	395,684,056	4,658,640	391,025,416
Receivable for securities	5,137,809	0	5,137,809
Investment income due and accrued	120,687,787	0	120,687,787
Uncollected premiums and agents' balances in course of collection	101,211,496	7,552,590	93,658,906
Deferred premiums, agents balances and installments booked but deferred and not yet due	32,039,909	0	32,039,909
Amounts recoverable from reinsurers	16,972,104	0	16,972,104
Funds held by or deposited with reinsured companies	513,940,653	0	513,940,653
Other amounts receivable under reinsurance contracts	32,230,596	0	32,230,596
Amounts receivable relating to uninsured plans	158,715,271	14,999,424	143,715,847
Current federal income tax recoverable	3,260,914	0	3,260,914
Net deferred tax asset	363,133,045	245,747,496	117,385,549
Guaranty funds receivable or on deposit	1,608,770	0	1,608,770
Electronic data processing equipment and software	7,114,211	0	7,114,211
Furniture and equipment	17,210,811	17,210,811	0
Receivable from parent, subsidiaries and affiliates	79,919,312	1,568,852	78,350,460
Aggregate write-ins for other than invested assets	400,950,115	108,426,473	292,523,642
Total assets excluding separate accounts	$ 19,526,534,549	$ 400,656,985	$ 19,125,877,564
From separate accounts statement	14,520,049,333		14,520,049,333
Total assets	$ 34,046,583,882	$ 400,656,985	$ 33,645,926,897

ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS (continued)
DECEMBER 31, 2005

LIABILITIES

Aggregate reserve for life policies and contacts	$ 13,921,644,773
Aggregate reserve for accident and health contracts	161,866,408
Liability for deposit-type contracts	662,601,891
Contract claims – life	84,770,864
Contract claims – accident and health	91,999,216
Provision for policyholders' dividends and coupons payable in the following calendar year – dividends apportioned for payment	109,146,921
Premiums and annuity considerations for life and accident and health contracts received in advance	16,420,496
Contract liabilities not reported elsewhere:	
Provision for experience rating refunds	67,007,592
Other amounts payable on reinsurance	973,126
Interest maintenance reserve	58,218,075
Commissions to agents due or accrued	9,977,231
General expenses due or accrued	74,861,347
Taxes, licenses and fees due or accrued	3,371,000
Unearned investment income	85,754,387
Amounts withheld or retained by company as agent or trustee	40,277,381
Amounts held for agents' account	2,384,344
Remittances and items not allocated	173,104,159
Liability for benefits for employees and agents	97,006,821
Borrowed money	122,100,459
Miscellaneous liabilities:	
Asset valuation reserve	125,587,617
Reinsurance in unauthorized companies	96,590
Funds held under reinsurance treaties with unauthorized reinsurers	658,766,811
Payable to parents, subsidiaries and affiliates	24,608,242
Liabilities for amounts held under uninsured accident and health contracts	179,350,348
Payable for securities	76,660,140
Aggregate write-ins for liabilities	748,231,896
Total liabilities excluding separate accounts	$ 17,596,788,135
From separate accounts	14,520,049,333
Total liabilities	$ 32,116,837,468

ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS (continued)
DECEMBER 31, 2005

SURPLUS AND OTHER FUNDS

Common capital stock	$ 7,032,000
Surplus note	194,173,899
Gross paid-in and contributed surplus	426,423,929
Unassigned surplus (Note 1)	901,459,601
Total capital and surplus	$ 1,529,089,429
Total liabilities, capital and surplus (Note 1)	$ 33,645,926,897

SUMMARY OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

Income:	
Premiums and annuity considerations	$ 4,244,235,908
Considerations for supplementary contracts with life contingencies	530,939
Net investment income	972,264,535
Amortization of IMR	18,020,900
Commissions and expense allowance on reinsurance ceded	5,140,868
Miscellaneous income:	
Income from fees associated with investment management administration and contract guarantees from separate accounts	111,381,841
Other income	187,307,782
Interest on reinsurance funds held receivable	57,069,644
Total income	$ 5,595,952,417
Deductions:	
Death benefits	$ 367,769,308
Matured endowments	212,529
Annuity benefits	90,010,360
Disability benefits and benefits under accident and health policies	551,260,400
Surrender benefits and withdrawals for life contracts	2,672,262,240
Interest and adjustments on policy or deposit-type funds	37,431,064
Payments on supplementary contracts with life contingencies	3,916,635
Increase in aggregate reserves for life and accident and health policies and contracts	908,531,973
Total deductions	4,631,394,509
Expenses:	
Commissions on Premiums, Annuity Consideration and Deposit Type Funds	$ 161,422,605
Commissions on expense allowances on reinsurance assumed	26,643,353
General insurance expenses	66,210,672
Insurance taxes, licenses and fees	57,571,482
Increase in loading on deferred and uncollected premiums	433,188
Net transfers to of (from) separate accounts net of reinsurance	40,497,870
Aggregate write-ins for deductions:	
Change in provision for experience refunds	20,559,022
Interest on reinsurance funds held payable	47,933,141
Total deductions and expenses	$ 5,052,665,842
Net gain from operations before dividends to policyholders and federal income taxes	$ 543,286,575
Dividends to policyholders	109,761,675
Net gain from operations after dividends to policyholders and before federal income taxes	$ 433,524,900
Federal income tax incurred	77,272,211
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	$ 356,252,689
Net realized capital gains less capital gains tax and transferred to the IMR	35,378,454
Net income	$ 391,631,143

CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2005

Capital and surplus, December 31, 2004	$ 1,477,424,716
Net income	$ 391,631,143
Change in unrealized capital (losses)	(100,249,055)
Change in net unrealized foreign exchange capital gain	2,162,066
Change in net deferred income tax	(31,612,357)
Change in non-admitted assets and related items	(16,556,606)
Change in liability for reinsurance in unauthorized companies	12,678
Change in asset valuation reserve	33,161,824
Change in surplus notes	29,897
Surplus adjustment for paid in	2,766,147
Dividends to stockholders	(221,358,250)
Aggregate write-ins for gains and losses in surplus	(8,322,774)
Net change in capital and surplus for the year	$ 51,664,713
Capital and surplus, December 31, 2005	$ 1,529,089,429

RECONCILIATION OF CAPITAL AND SURPLUS
DECEMBER 31, 2000 THROUGH DECEMBER 31, 2005

	2001	2002	2003	2004	2005
Capital and surplus, December 31, previous year	$ 997,739,734 #	$ 1,200,372,065	$ 1,292,292,178	$ 1,212,548,325	$ 1,477,424,716
Net income	$ 270,845,279 *	$ 205,748,955	$ (75,626,540)	$ 402,340,751	$ 391,631,143
Change in unrealized capital gains (losses)	(82,838,764)	(3,020,611)	55,125,265	(28,214,857)	(100,249,055)
Change in net unrealized foreign exchange capital gain	167,076	(39,409)	(32,520)	(381,964)	2,162,066
Change in net deferred income tax	125,580,957	(1,760,694)	118,327,691	(31,228,126)	(31,612,357)
Change in non-admitted assets and related items	6,231,985 *	53,649,673	(85,432,286)	(3,632,458)	(16,556,606)
Change in liability for reinsurance in unauthorized companies	11,814	57,728	119,689	60,898	12,678
Change in asset valuation reserve	(20,137,519)	6,910,103	(15,486,175)	17,894,385	33,161,824
Change in surplus notes	0	0	0	19,144,002	29,897
Cumulative effect of changes in accounting principal	105,760,498	0	0	0	0
Surplus adjustment for paid in	(4,902,825)	6,907,738	2,656,569	3,570,054	2,766,147
Dividends to stockholders	(187,786,170)	(170,533,370)	(75,710,731)	(163,229,596)	(221,358,250)
Aggregate write-ins for gains and losses in surplus	(10,300,000)	(6,000,000)	(3,684,815)	48,553,302	(8,322,774)
Changes in surplus as regards policyholders for the year	202,632,331	91,920,113	(79,743,853)	264,876,391	51,664,713
Capital and surplus, December 31, current year	$ 1,200,372,065	$ 1,292,292,178	$ 1,212,548,325	$ 1,477,424,716	$ 1,529,089,429 #

The above amounts were extracted from the Company's filed annual statements. The 2005 amounts were determined by examination. The amount reported above for the December 31, 2000 ending surplus reflects the changes made as a result of the December 31, 2000 statutory report of examination.

* - Amount adjusted for the changes recorded in the December 31, 2000 statutory report of examination.

- Amounts determined per examination.

ANALYSIS OF EXAMINATION CHANGES
DECEMBER 31, 2005

Admitted Assets	Per annual statement	Per examination	Surplus increase (decrease)
Total assets	$33,645,926,897	$33,645,926,897	$ 0
Liabilities & Surplus			
Total liabilities	$32,116,837,468	$32,116,837,468	$ 0
Total surplus	$ 1,529,089,429	$ 1,529,089,429	$ 0
Net change per examination			$ 0
Capital and surplus per annual statement			$ 1,529,089,429
Net change per examination			0
Capital and surplus per examination			$ 1,529,089,429

COMPARATIVE FINANACIAL STATEMENT
DECEMBER 31, 2000 AND DECEMBER 31, 2005

ADMITTED ASSETS

	December 31, 2000*	December 31, 2005*
Bonds	$ 8,645,465,699	$ 11,697,172,805
Preferred stocks	901,000	0
Common stocks	1,608,166,685	401,437,020
Mortgage loans – first liens	44,624,450	560,684,394
Real estate – properties occupied by the company	0	78,974,920
Real estate – properties held for the production of income	1,558,495	5,492,410
Real estate – properties held for sale	2,090,000	2,745,500
Cash, cash equivalents and short-term investments	191,808,428	828,110,681
Contract loans	2,809,961,037	3,701,607,261
Other invested assets	45,498,875	391,025,416
Receivable for securities	18,785,054	5,137,809
Aggregate write-ins for invested assets	1,637,024	0
Investment income due or accrued	128,244,236	120,687,787
Uncollected premiums and agents' balances in course of collection	98,237,423	93,658,906
Deferred premiums, agents balances and installments booked but deferred and not yet due	39,720,441	32,039,909
Reinsurance:		
Amounts recoverable from reinsurers	27,850,331	16,972,104
Commissions and expense allowances due	101,030	0
Funds held by or deposited with reinsured companies	7,907,977	513,940,653
Other amounts receivable under reinsurance contracts	181,698	32,230,596
Amounts receivable relating to uninsured plans	165,391,251	143,715,847
Current federal income tax recoverable	0	3,260,914
Net deferred tax asset	0	117,385,549
Guaranty funds receivable or on deposit	2,531,786	1,608,770
Electronic data processing equipment and software	0	7,114,211
Receivable from parent, subsidiaries and affiliates	114,032,518	78,350,460
Aggregate write-ins for other than invested assets	81,429,092	292,523,642
Total assets excluding separate accounts	$ 14,036,124,530	$ 19,125,877,564
From separate accounts statement	12,346,391,202	14,520,049,333
Total assets	$ 26,382,515,732	$ 33,645,926,897

*Per Examination

COMPARATIVE FINANACIAL STATEMENT
DECEMBER 31, 2000 AND DECEMBER 31, 2005

LIABILITIES, CAPITAL SURPLUS AND OTHER FUNDS

	December 31, 2000*	December 31, 2005*
Aggregate reserve for life policies and contacts	$ 11,446,967,147	$ 13,921,644,773
Aggregate reserve for accident and health contracts	132,380,204	161,866,408
Liability for deposit-type contracts	22,569,467	662,601,891
Contract claims – life	79,650,267	84,770,864
Contract claims – accident and health	37,349,800	91,999,216
Provision for policyholders' dividends and coupons payable in the following calendar year – estimated amounts:		
Dividends apportioned for payment	72,716,400	109,146,921
Dividends not yet apportioned	27,800,342	0
Dividends due and unpaid	588,784	0
Premiums and annuity considerations for life and accident and health contracts received in advance	32,435,841	16,420,496
Liability for premium and deposit funds:		
Policyholder premiums	102,911,130	0
Guaranteed interest contracts	90,847,987	0
Other deposit funds	18,852,954	0
Contract liabilities not reported elsewhere:		
Provision for experience rating refunds	54,109,531	67,007,592
Other amounts payable on reinsurance	0	973,126
Interest maintenance reserve	2,334,033	58,218,075
Commissions to agents due or accrued	1,741,370	9,977,231
Commissions and expenses allowances payable on reinsurance assumed	13,585	0
General expenses due or accrued	64,189,559	74,861,347
Taxes, licenses and fees due or accrued	11,776,083	3,371,000
Current federal income taxes	3,116,192	0
Cost of collection	1,680,183	0
Unearned investment income	74,359,883	85,754,387
Amounts withheld or retained by company as agent or trustee	26,350,774	40,277,381
Amounts held for agents' account	6,212,141	2,384,344
Remittances and items not allocated	126,284,592	173,104,159
Liability for benefits for employees and agents	0	97,006,821
Borrowed money	123,003,299	122,100,459
Miscellaneous liabilities:		
Asset valuation reserve	185,530,236	125,587,617
Reinsurance in unauthorized companies	343,125	96,590
Funds held under reinsurance treaties with unauthorized reinsurers	0	658,766,811
Payable to parents, subsidiaries and affiliates	255,853,099	24,608,242
Liabilities for amounts held under uninsured accident and health contracts	0	179,350,348

	December 31, 2000*	December 31, 2005*
Payable for securities	5,162,072	76,660,140
Aggregate write-ins for liabilities	31,254,716	748,231,896
Total liabilities excluding separate accounts	$ 13,038,384,796	$ 17,596,788,135
From separate accounts	12,346,391,202	14,520,049,333
Total liabilities	$ 25,384,775,998	$ 32,116,837,468
Common capital stock	$ 7,032,000	$ 7,032,000
Surplus note	175,000,000	194,173,899
Gross paid in and contributed surplus	415,426,246	426,423,929
Unassigned funds	400,281,488	901,459,601
Total capital and surplus	$ 997,739,734	$ 1,529,089,429
Total liabilities, capital and surplus	$ 26,382,515,732	$ 33,645,926,897

* = Per examination

SEPARATE ACCOUNTS

The Separate Accounts assets and liabilities of $14,520,049,333 each were are reported in the filed annual statement for separate accounts. The examination traced the assets to the supporting documents and schedules and appropriate testing was performed to substantiate the reported balances.

Invested assets held by the separate accounts consist primarily of U.S. government securities, CMO's, commercial bonds, short-term investments and mutual funds.

NOTES TO FINANCIAL STATEMENTS

Note 1: Capital and Surplus

Pursuant to Section 10-3-201, C.R.S., the Company is required to maintain a minimum surplus level of at least $1,500,000, or an amount equivalent to the risk-based capital (RBC) requirements set forth in Colorado Insurance Regulation 3-1-11. As of December 31, 2005, the Company’s “Company Action Level” RBC was determined to be $361,833,278. As of December 31, 2005, the Company’s adjusted capital of $1,654,677,046 exceeded the “Company Action Level” RBC by $1,292,843,768.

SUMMARY

Based on the results of this examination, as of December 31, 2005, the Company has admitted assets of $33,645,926,897, including $14,520,049,333 of separate accounts, liabilities of $32,116,837,468 and capital and surplus of $1,529,089,429. There were no changes to the Company’s total capital and surplus resulting from this examination.

RECOMMENDATIONS

Recommendations made as a result of this examination are listed below:

Issue	Rec. No.	Page No.	Recommendation
The Company did not provide any documentation regarding the meetings of the compensation committee nor the number of times this committee met during the examination period.	1	15	It is recommended that the Company maintain the minutes and other related records of the activities of the compensation committee in a consistent form and format as the other committees of the board of directors.
During the examination of allocation of premiums by state an error was detected in the compilation of the accident and health premiums from an assumed block of accident and health business and a minimum premium health program. The error only occurred in the 2005 annual statement.	2	21	It is recommended that the Company ensure that all premiums are appropriately reported within Schedule T for the allocation of premiums and annuity consideration and also re-compute the premium taxes due.

CONCLUSION

The courtesy, assistance and cooperation extended by the officers and employees of the Company during the course of this examination are hereby acknowledged.

Margaret Cheng, ASA, MAAA, conducted the actuarial phase of the examination.

Henry M. Freaney, Chiffon King, Alea Talbert-Pence, Helmut Mlakar, Larry Levine and Craig A. Moore of RSM McGladrey performed the examination of the investment phase of the examination.

Philip Gates, EDP Auditor, conducted the electronic data processing phase of the examination.

In addition to the undersigned, Justin Cowles and Meri DeLyser, examiners for the DOI, participated in the examination.

Respectfully submitted,

____

Arthur D. Mowry, CFE
Examiner-In-Charge
Division of Insurance
State of Colorado